

SARATOGA COUNTY MAPLEWOOD MANOR
(An Enterprise Fund of the County of Saratoga)
Financial Statements
and Supplementary Information
December 31, 2014 and 2013
(With Independent Auditors' Report)

SARATOGA COUNTY MAPLEWOOD MANOR
(An Enterprise Fund of the County of Saratoga)

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INDEPENDENT AUDITORS' REPORT

The Board of Supervisors
Saratoga County Maplewood Manor:

Report on the Financial Statements

We have audited the accompanying financial statements of Saratoga County Maplewood Manor (the Manor), which comprise the statement of net position as of and for the years ended December 31, 2014 and 2013, and the related statements of revenue, expenses and change in net position and cash flows, and the related notes to financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Manor's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Manor's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saratoga County Maplewood Manor as of December 31, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Enterprise Fund

As discussed in note 1, the financial statements present only Saratoga County Maplewood Manor and do not purport to, and do not present fairly the financial position of the County of Saratoga, as of December 31, 2014 and 2013, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of Matter Regarding Sale

As disclosed in note 12, the County of Saratoga Legislature has approved the County's divestiture of Maplewood Manor in attempt to reduce County subsidies of the Manor's operating losses. The County believes that due to prior and forecasted future losses from operation divestiture of the operations is in the best interest of the County and County residents. The County sponsored the formation of a not for profit, Local Development Corporation (LDC) to facilitate the marketing, sale and transfer of the Manor's assets and licensed operations and has entered into a purchase and sales agreement with a third party company for all of the Manor's assets and licensed operations. Effective February 1, 2015, Saratoga County Maplewood Manor transferred the operations in connection with the Manor to a third party. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress - other postemployment benefits on pages 4 through 8 and 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules on pages 25 through 27 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 21, 2015, on our consideration of the Manor's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Manor's internal control over financial reporting and compliance.

Toski & Co., CPAs, P.C.

Williamsville, New York
July 21, 2015

SARATOGA COUNTY MAPLEWOOD MANOR
(An Enterprise Fund of the County of Saratoga)

Management's Discussion and Analysis

December 31, 2014 and 2013

INTRODUCTION

Our discussion and analysis of Saratoga County Maplewood Manor's (the Manor) financial performance provides an overview of its financial activities for the year ended December 31, 2014 compared to the year ended December 31, 2013 in compliance with Statement of Governmental Accounting Standard No. 34 (GASB 34) - "Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments" and related standards. Please read it in conjunction with the Manor's financial statements, which begin on page 9.

The Manor is operated as an enterprise fund of the County of Saratoga, New York (the County). The Manor is a 277-bed, skilled nursing facility located in Ballston Spa, New York which provides rehabilitation services and skilled nursing care. The Manor's mission includes caring for those Saratoga County residents who are having difficulty being admitted to other nursing homes due to financial or medical needs. The Manor was established in 1980 with a contribution of \$2,092,080 in net assets from the general fund of the County. The County has proprietary interest in all assets and the responsibility for all obligations of the Manor. The Manor is subject to the rules and regulations of the New York State Department of Health (NYSDOH), and the Centers for Medicare and Medicaid services (CMS).

Effective February 1, 2015, the operations of the Manor were transferred to a third party, under operating leases as described in note 12 of the financial statements.

FINANCIAL HIGHLIGHTS

Following are the financial highlights of the Manor for the years ended December 31, 2014 and 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Manor's financial statements. The Manor's financial statements are comprised of two components: (1) financial statements and (2) notes to financial statements.

Financial Statements

The statements of net position present information on all of the Manor's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the Manor is improving or deteriorating. A summary of the Manor's statements of net position at December 31, 2014 and 2013 is as follows:

SARATOGA COUNTY MAPLEWOOD MANOR
(An Enterprise Fund of the County of Saratoga)
Management's Discussion and Analysis, Continued

	<u>2014</u>	<u>2013</u>
Assets:		
Current assets	\$ 11,691,003	12,873,150
Non-current assets	<u>2,284,586</u>	<u>3,194,471</u>
Total assets	\$ <u>13,975,589</u>	<u>16,067,621</u>
Liabilities:		
Current liabilities	3,590,513	3,122,174
Long-term liabilities	<u>33,462,456</u>	<u>30,775,624</u>
Total liabilities	<u>37,052,969</u>	<u>33,897,798</u>
Deferred inflows of resources - deferred revenue	<u>199,641</u>	<u>25,737</u>
Net position:		
Unrestricted	(25,315,445)	(20,781,327)
Net investment in capital assets	<u>2,038,424</u>	<u>2,925,413</u>
Total net position	<u>(23,277,021)</u>	<u>(17,855,914)</u>
Total liabilities and net position	\$ <u>13,975,589</u>	<u>16,067,621</u>

The statements of revenue, expenses and changes in net position report the activity of the Manor and provide information regarding revenue and expenses, both operating and nonoperating, that affect net position. A summary of the statements of revenue, expenses and changes in net position for the years ended December 31, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Total revenue	\$ 16,870,486	18,746,175
Total expenses	<u>27,981,101</u>	<u>26,399,228</u>
Operating loss	(11,110,615)	(7,653,053)
Nonoperating revenue	<u>5,689,508</u>	<u>7,510,367</u>
Change in net position	(5,421,107)	(142,686)
Net position at beginning of year	<u>(17,855,914)</u>	<u>(17,713,228)</u>
Net position at end of year	\$ <u>(23,277,021)</u>	<u>(17,855,914)</u>

SARATOGA COUNTY MAPLEWOOD MANOR
(An Enterprise Fund of the County of Saratoga)
Management's Discussion and Analysis, Continued

FINANCIAL ANALYSIS

Net Position

Net position of the Manor increased from a deficit of approximately \$17.9 million at December 31, 2013 to a deficit of \$23.3 million at December 31, 2014, due to total expenses of \$28 million exceeding total operating and nonoperating revenue of \$22.6 million.

Operating Revenue

Overall operating revenue consisting of net resident service and other revenue decreased approximately \$1.8 million from \$18.7 million in 2013 to \$16.9 million in 2014.

Resident Service Revenue

Resident service revenue is primarily driven by patient days and the rate charged for each day, which varies based on the third party payor mix (i.e., private pay, Medicare, Medicaid). For the year ended December 31, 2014, resident service revenue decreased to approximately \$17.4 million from \$18.7 million at December 31, 2013. Medicare days were 2,436 in 2013 and 2,301 in 2014. Private pay days were 6,482 in 2013 and 7,058 in 2014. Insurance days were 1,027 in 2013 and 1,501 in 2014. Medicaid and hospice days, which are reimbursed at the lowest rate, were 68,746 in 2013 and 69,107 in 2014. In 2013, total patient days of 78,691 represented a 77.8% occupancy level. In 2014, total patient days of 79,967 represented a 79.1% occupancy level.

Medicare rates, which are determined based upon the level of care provided to a resident, averaged \$397 per day in 2013 and \$484 per day in 2014. Medicaid rates, which are revised at least quarterly, averaged \$179 per day in 2013 and \$192 per day in 2014. Net resident private pay revenue per day increased from \$355 per day in 2013 to \$359 per day in 2014.

Admissions increased to 148 admissions in 2014 as compared to 101 admissions in 2013. The number of discharges decreased to 108 discharges in 2014 as compared to 134 discharges in 2013.

Nonoperating Revenue

Nonoperating revenue decreased by approximately \$1.8 million from \$7.5 million in 2013 to \$5.7 million in 2014. The decrease was primarily the result of a transfer to the County of \$6.2 million and an increase in IGT revenue of \$5.1 million.

SARATOGA COUNTY MAPLEWOOD MANOR
(An Enterprise Fund of the County of Saratoga)
Management's Discussion and Analysis, Continued

Expenses

Overall expenses increased approximately \$1.6 million in 2014. Total expenses for 2014 were \$28.0 million as compared to \$26.4 million in 2013.

Personnel

Salaries and fringe benefits represent approximately 71% in 2014 and 82% in 2013 of the Manor's operating expenses.

For the year ended December 31, 2014, salaries and fringe benefit expense decreased approximately \$500 thousand from \$20.3 million in 2013 to \$19.8 million in 2014.

Non-Personnel

Fees, supplies, services and other direct expenses represent approximately 29% in 2014 and 18% in 2013 of the Manor's total operating expenses.

For the year ended December 31, 2014, fees, supplies, services and other direct expenses increased approximately \$1.2 million from \$4.0 million in 2013 to \$5.2 million in 2014.

Capital Assets

As of December 31, 2014 and 2013, the Manor had net capital assets of \$2,038,424 and \$2,925,413, respectively. The decrease in 2014 was primarily due to the disposal of equipment related to the company generation plant.

ECONOMIC FACTORS AND SIGNIFICANT EVENTS

The Manor receives a significant portion (76.1% in 2014 and 73.5% in 2013) of its revenue through the State funded Medicaid program and changes in the annual State budget can significantly impact its operating results.

SARATOGA COUNTY MAPLEWOOD MANOR
(An Enterprise Fund of the County of Saratoga)
Management's Discussion and Analysis, Continued

The County of Saratoga has approved the County's divestiture of Maplewood Manor to reduce the County subsidies of the Manor's operating losses. Based on existing and future trends in long-term care reimbursement and the Manor's cost structure it was believed that continued operation of the Manor as a public facility would not be in the best interest of the County or County residents. During 2012, the County sponsored the formation of a not for profit, Maplewood Manor, Local Development Corporation (LDC) to facilitate the marketing, sale and transfer of the Manor's assets and licensed operations. On December 16, 2013, the LDC entered into a purchase and sales agreement with a third party company for all of the Manor's assets and licensed operations. Sale of the Manor's licensed operations is contingent upon approval of the New York State Department of Health which regulates nursing homes operated in the state. Effective February 1, 2015, Saratoga County Maplewood Manor transferred the operations of the facility to a third party. The transfer of the Manor's real property has been extended to December 31, 2018.

REQUEST FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ms. Diane Brown, Administrator, or Ms. Sandy Fisher, Accountant, Saratoga County Maplewood Manor (518) 885-5381.

SARATOGA COUNTY MAPLEWOOD MANOR
(An Enterprise Fund of the County of Saratoga)
Statements of Net Position
December 31, 2014 and 2013

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and equivalents	\$ 4,329,052	2,373,107
Resident receivables, net of allowance for doubtful accounts	1,660,704	1,567,945
Inter-Governmental transfers receivable	5,159,000	8,287,588
Estimated third-party payor settlement	439,073	530,087
Inventory	69,387	79,935
Prepaid expenses	33,787	34,488
Total current assets	<u>11,691,003</u>	<u>12,873,150</u>
Non-current assets:		
Capital assets, net of accumulated depreciation	2,038,424	2,925,413
Security deposits	117,253	131,200
Residents' funds held in trust	128,909	137,858
Total non-current assets	<u>2,284,586</u>	<u>3,194,471</u>
Total assets	<u>\$ 13,975,589</u>	<u>16,067,621</u>
<u>Liabilities and Net Position</u>		
Current liabilities:		
Accounts payable	56,266	410,132
Accrued benefits	503,666	612,762
Due to the County of Saratoga	3,030,581	2,099,280
Total current liabilities	<u>3,590,513</u>	<u>3,122,174</u>
Long-term liabilities:		
Other postemployment benefits	33,216,294	30,506,566
Security deposits	117,253	131,200
Residents' funds held in trust	128,909	137,858
Total long-term liabilities	<u>33,462,456</u>	<u>30,775,624</u>
Total liabilities	<u>37,052,969</u>	<u>33,897,798</u>
Deferred inflows of resources	<u>199,641</u>	<u>25,737</u>
Net position:		
Unrestricted	(25,315,445)	(20,781,327)
Net investment in capital assets	2,038,424	2,925,413
Total net position	<u>(23,277,021)</u>	<u>(17,855,914)</u>
Total liabilities and net position	<u>\$ 13,975,589</u>	<u>16,067,621</u>

See accompanying notes to financial statements.

SARATOGA COUNTY MAPLEWOOD MANOR
(An Enterprise Fund of the County of Saratoga)
Statements of Revenue, Expenses and Changes in Net Position
Years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Revenue:		
Net resident service	\$ 17,398,717	18,688,145
Other	32,953	73,587
Bad debts	<u>(561,184)</u>	<u>(15,557)</u>
Total revenue	<u>16,870,486</u>	<u>18,746,175</u>
Expenses:		
Professional care	13,775,129	13,749,567
Administrative and support	11,209,498	10,336,513
Other postemployment benefits	2,709,728	2,040,885
Depreciation	<u>286,746</u>	<u>272,263</u>
Total expenses	<u>27,981,101</u>	<u>26,399,228</u>
Operating loss	<u>(11,110,615)</u>	<u>(7,653,053)</u>
Nonoperating revenue:		
Inter-Governmental transfers	12,433,750	8,287,588
Interest income	3,711	3,024
Loss on disposal of capital assets	(581,724)	-
Transfer to County	<u>(6,166,229)</u>	<u>(780,245)</u>
Total nonoperating revenue	<u>5,689,508</u>	<u>7,510,367</u>
Change in net position	(5,421,107)	(142,686)
Net position at beginning of year	<u>(17,855,914)</u>	<u>(17,713,228)</u>
Net position at end of year	<u>\$ (23,277,021)</u>	<u>(17,855,914)</u>

See accompanying notes to financial statements.

SARATOGA COUNTY MAPLEWOOD MANOR
(An Enterprise Fund of the County of Saratoga)
Statements of Cash Flows
Years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Receipts from residents and third-party payors	\$ 17,973,946	22,108,522
Payments to suppliers and service providers	(5,555,554)	(3,574,875)
Payments to employees	<u>(19,880,786)</u>	<u>(20,362,568)</u>
Net cash used in operating activities	<u>(7,462,394)</u>	<u>(1,828,921)</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(13,792)	(32,663)
Proceeds of sale of capital assets	<u>32,311</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>18,519</u>	<u>(32,663)</u>
Cash flows from non-capital financing activities:		
Inter-Governmental transfers, net	15,562,338	4,739,473
Transfer to County	<u>(6,166,229)</u>	<u>(780,245)</u>
Net cash provided by non-capital financing activities	<u>9,396,109</u>	<u>3,959,228</u>
Cash flows from investing activities - interest income	<u>3,711</u>	<u>3,024</u>
Net increase in cash and equivalents	1,955,945	2,100,668
Cash and equivalents at beginning of year	<u>2,373,107</u>	<u>272,439</u>
Cash and equivalents at end of year	<u><u>\$ 4,329,052</u></u>	<u><u>2,373,107</u></u>

(Continued)

See accompanying notes to financial statements.

SARATOGA COUNTY MAPLEWOOD MANOR
(An Enterprise Fund of the County of Saratoga)
Statements of Cash Flows, Continued

	<u>2014</u>	<u>2013</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (11,110,615)	(7,653,053)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	286,746	272,263
Bad debts	561,184	15,557
Changes in:		
Resident receivables	(653,943)	1,028,079
Estimated third-party payor settlements	91,014	(410,651)
Due from the County of Saratoga	-	617,370
Inventory	10,548	(2,124)
Prepaid expenses	701	(5,756)
Accounts payable	(353,866)	238,133
Accrued benefits	(109,096)	(81,616)
Due to the County of Saratoga	931,301	2,099,280
Other postemployment benefits	2,709,728	2,040,885
Deferred inflows of resources	<u>173,904</u>	<u>12,712</u>
Net cash used in operating activities	<u>\$ (7,462,394)</u>	<u>(1,828,921)</u>

See accompanying notes to financial statements.

SARATOGA COUNTY MAPLEWOOD MANOR
(An Enterprise Fund of the County of Saratoga)

Notes to Financial Statements

December 31, 2014 and 2013

(1) Nature of Organization

Saratoga County Maplewood Manor (the Manor) is operated as an enterprise fund of the County of Saratoga, New York (the County). The Manor is a 277-bed, skilled nursing facility located in Ballston Spa, New York which provides rehabilitation services and skilled nursing care. The Manor's mission includes caring for those County residents who are having difficulty being admitted to other nursing homes due to financial or medical needs. The Manor was established in 1980. The County has proprietary interest in all assets and the responsibility for all obligations of the Manor. The Manor is subject to the rules and regulations of the New York State Department of Health (NYSDOH) and the Centers for Medicare and Medicaid Services (CMS).

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accounts of the County are organized on the basis of funds and account groups. A fund is a separate accounting entity with a self-balancing set of accounts.

Proprietary Funds are used to account for ongoing organizations or activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and changes in cash flow. Enterprise Funds are Proprietary Funds used to report any activity for which a fee is charged to external users for goods or services. The Manor is an Enterprise Fund.

(b) Accounting Estimates

The preparation of accompanying financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(c) Cash and Equivalents

For purposes of the statements of cash flows, the Manor considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Cash and cash equivalents recorded by the Manor are combined with cash and cash equivalents of the County. The County's investment policies are governed by State statutes. Also, the County has its own investment policy. All County funds must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks and certificates of deposit. State statutes require the County to collateralize its cash deposits in excess of the FDIC requirements limit. This collateral is to be in the form of State and local government securities held in trust for and pledged to secure the County's deposits. The County has reported that its deposits were adequately collateralized at December 31, 2014 and 2013.

SARATOGA COUNTY MAPLEWOOD MANOR
(An Enterprise Fund of the County of Saratoga)
Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(d) Receivables and Bad Debt

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Manor analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to residents who have third-party coverage, the Manor analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay residents (which includes both residents with insurance and residents with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Manor records a provision for bad debts when it appears that residents are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts. Effective February 1, 2015, the Manor sold its resident services receivable to the new operator for \$1,400,000 with the exception of three accounts, totaling \$260,509 that are currently in litigation.

(e) Inventory

Inventory of the Manor consists primarily of food, housekeeping and medical supplies. Inventory is stated at cost on the first-in, first-out method.

(f) Capital Assets

Capital assets are recorded at cost, if purchased, or at fair market value, if donated, less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives (as recommended by the American Hospital Association) using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected as non-operating revenue and losses in the year of disposition.

SARATOGA COUNTY MAPLEWOOD MANOR
(An Enterprise Fund of the County of Saratoga)
Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(g) Impairment of Long-Lived Assets

The Manor reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. In determining whether there is an impairment of long-lived assets, the Manor compares the sum of the expected future net cash flows (undiscounted and without interest charges) to the carrying amount of the assets. No impairment in value has been recognized at December 31, 2014 and 2013.

(h) Security Deposits

The Manor requires that all private pay residents provide security deposits as a condition of admission. A corresponding liability has been recorded to reflect the security deposits to be returned to the residents when they are discharged.

(i) Residents' Funds Held in Trust

The Manor holds residents' funds in an individual interest bearing account. These funds consist of amounts deposited on behalf of the residents, which are to be used for their personal care.

(j) Net Position Classification

Net position is classified into the following components:

- Unrestricted - Amount that represents resources that are generally available for support of the Manor's activities.
- Net investment in capital assets - Includes the net book value of all capital assets less the outstanding balances of bonds, mortgages, notes and other debt used to acquire, construct, or improve those assets.

(k) Net Resident Service Revenue

The Manor has agreements with third-party payors that provide for payments to the Manor at amounts different from its established rate. Resident service revenues are reported at the estimated net realizable amounts from residents, third-party payors and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third party payors. Revenue under third-party payor agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and final settlements are reported in operations in the year of settlement.

SARATOGA COUNTY MAPLEWOOD MANOR
(An Enterprise Fund of the County of Saratoga)
Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(k) Net Resident Service Revenue, Continued

Laws and regulations governing reimbursement are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Resident service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from payor sources for 2014 and 2013, are as follows:

	<u>2014</u>	<u>2013</u>
Medicaid	\$ 13,236,381	15,053,332
Medicare	1,114,641	967,452
Private and insurance	<u>3,047,695</u>	<u>2,667,361</u>
Total resident service revenue	\$ <u>17,398,717</u>	<u>18,688,145</u>

(l) Subsequent Events

The Manor has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

(3) Resident Receivables

A summary of resident receivables at December 31, 2014 and 2013 follows:

	<u>2014</u>	<u>2013</u>
Medicaid	\$ 1,734,353	1,081,312
Medicare	169,015	118,535
Private pay	652,980	998,784
Insurance	271,926	63,858
Unbilled charges	<u>194</u>	<u>5,456</u>
	2,828,468	2,267,945
Less allowance for doubtful accounts	<u>(1,167,764)</u>	<u>(700,000)</u>
	\$ <u>1,660,704</u>	<u>1,567,945</u>

Effective February 1, 2015, the Manor sold its resident receivables to the new operator for \$1,400,000, effectively increasing the allowance to account for this transaction.

SARATOGA COUNTY MAPLEWOOD MANOR
(An Enterprise Fund of the County of Saratoga)
Notes to Financial Statements, Continued

(4) Capital Assets

Capital assets as of December 31, 2014 and 2013 are summarized as follows:

	Balance January 1, 2014	Additions	Disposals	Balance December 31, 2014
Land	\$ 54,000	-	-	54,000
Land improvements	140,773	-	-	140,773
Building and improvements	8,847,437	-	(1,472,091)	7,375,346
Fixed equipment	3,152,296	-	-	3,152,296
Movable equipment	<u>1,744,301</u>	<u>13,792</u>	<u>(38,902)</u>	<u>1,719,191</u>
	13,938,807	<u>13,792</u>	<u>(1,510,993)</u>	12,441,606
Less accumulated depreciation	<u>(11,013,394)</u>	<u>(286,746)</u>	<u>896,958</u>	<u>(10,403,182)</u>
Capital assets, net	\$ <u>2,925,413</u>			<u>2,038,424</u>

	Balance January 1, 2013	Additions	Disposals	Balance December 31, 2013
Land	\$ 54,000	-	-	54,000
Land improvements	140,773	-	-	140,773
Building and improvements	8,829,997	22,900	(5,460)	8,847,437
Fixed equipment	3,151,248	1,048	-	3,152,296
Movable equipment	<u>1,742,952</u>	<u>8,715</u>	<u>(7,366)</u>	<u>1,744,301</u>
	13,918,970	<u>32,663</u>	<u>(12,826)</u>	13,938,807
Less accumulated depreciation	<u>(10,753,957)</u>	<u>(272,263)</u>	<u>12,826</u>	<u>(11,013,394)</u>
Capital assets, net	\$ <u>3,165,013</u>			<u>2,925,413</u>

(5) Related Party Transactions

At December 31, 2014 and 2013 the Manor owed the County \$3,030,581 and \$2,099,280, respectively. The amount represents the Manor's reimbursements for accounts payable, accrued expenses, payroll and related costs. These services included administration, data processing, printing and mailing, personnel functions, purchasing, and internal auditing functions.

SARATOGA COUNTY MAPLEWOOD MANOR
(An Enterprise Fund of the County of Saratoga)
Notes to Financial Statements, Continued

(6) Pension Plan

The Pension Plan of the Manor is detailed as follows:

(a) Plan Description

The Manor participates in the New York State and Local Employees' Retirement System (ERS), and the Public Employees' Group Life Insurance Plan (the Systems) which are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State Local Retirement Systems, 110 State Street, Albany, New York 12244.

(b) Funding Policy

The Systems are noncontributory except for employees who joined the ERS after July 27, 1976 (Tier 4) and who contribute 3% of their salary for the first ten years of membership. Employees who joined the retirement system after January 1, 2010 (Tier 5) are required to contribute 3% for their entire employment and participate in the retirement system. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The Manor is required to contribute at an actuarially determined rate. The required contributions for the current and two preceding years were as follows:

2014	\$ 1,753,337
2013	2,062,949
2012	<u>2,403,936</u>

The Manor's contributions made to the Systems were equal to 100 percent of the contributions required for each year.

SARATOGA COUNTY MAPLEWOOD MANOR
(An Enterprise Fund of the County of Saratoga)
Notes to Financial Statements, Continued

(7) Postemployment Benefits

In addition to providing retirement benefits, the Manor provides certain health insurance benefits to retired employees and their families. Substantially all of the Manor's employees may become eligible for these benefits if they reach normal retirement age while working for the Manor. The cost to the Manor of providing other postemployment benefits to retirees amounted to \$4,302,516 and \$4,235,228 which include current contributions of \$1,592,788 and \$2,194,343 that have been directly assigned to program and support departments for the years ended December 31, 2014 and 2013, respectively.

(a) Plan Description

The County provides a single-employer self-insured medical plan (the Plan) that offers two options of which the Manor is a participant. The Plan provides for continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the County subject to the applicable collective bargaining and employment agreements. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. Benefit provisions are established through negotiations between the County and the unions representing employees, and are renegotiated at the end of each of the bargaining periods.

(b) Funding Policy

The obligation of the Plan members, employers and other entities, including the Manor, are established by action of the County pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement. The employer currently contributes enough money to the Plan to satisfy current obligations. The costs of administering the Plan are paid by the County. For the years ended December 31, 2014 and 2013, the County contributed \$7,459,457 and \$9,846,457 to the plan, respectively. The Manor represented \$1,592,788 and \$2,194,343 of the total contribution to the Plan in 2014 and 2013, respectively.

(c) Other Disclosure Information

The schedule of funding progress on page 24 presents multiyear trend information that is useful in determining whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability. The projections of benefits are based on the types of benefits provided under the substantive plan at the time of the valuation date and on the pattern of cost-sharing between the employer and Plan members. In addition, the projections do not explicitly incorporate the potential effects of legal or contractual funding limitation of the pattern of cost-sharing between the employer and Plan members in the future. The actuarial calculations reflect a long-term perspective; actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

SARATOGA COUNTY MAPLEWOOD MANOR
(An Enterprise Fund of the County of Saratoga)
Notes to Financial Statements, Continued

(7) Postemployment Benefits, Continued

(d) Annual OPEB Cost at December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Annual required contribution (ARC)	\$ 4,778,597	4,679,460
Interest on net OPEB obligation	1,220,263	1,138,627
Adjustment to ARC	(1,696,344)	(1,582,859)
OPEB expense	\$ <u>4,302,516</u>	<u>4,235,228</u>

(e) Reconciliation of Net OPEB Obligation at December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Net OPEB obligation at the beginning of the year	\$ 30,506,566	28,465,681
OPEB expense	4,302,516	4,235,228
Net OPEB contributions made during the year	(1,592,788)	(2,194,343)
Net OPEB obligation at the end of the year	\$ <u>33,216,294</u>	<u>30,506,566</u>
Percentage of expense contributed	<u>12.9%</u>	<u>13.9%</u>

(f) Subsequent Accounting due to Transfer and Sale of Facility

The impending sale and the transfer of the operations to a purchaser as described in note 12, will effectively transfer this obligation to the County's general fund in 2015.

(8) Concentrations

The majority of services provided by the Manor are paid for by the State. The Manor, therefore, is highly dependent on the New York State health care reimbursement system.

The Manor grants credit without collateral to its residents, most of who are insured under third-party payors. The composition of receivables from patients and third-party payors is as follows at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Medicaid	61%	48%
Medicare	6%	5%
Private pay	23%	44%
Insurance	<u>10%</u>	<u>3%</u>
	<u>100%</u>	<u>100%</u>

SARATOGA COUNTY MAPLEWOOD MANOR
(An Enterprise Fund of the County of Saratoga)
Notes to Financial Statements, Continued

(9) Inter-Governmental Transfers (IGT)

The Inter-Governmental Transfers (IGT) program provides Medicaid rate enhancement to all non-state operated publicly sponsored nursing facilities. Annual State legislation and the approval of the Inter-Governmental Transfer program by the Centers for Medicare and Medicaid Services (CMS) for this program are required; therefore, the availability, timing and amount of this funding is not always available in the year the expenditures are incurred by the Manor and subsidies are made by the sponsoring government. IGT is recorded as nonoperating revenue on the accompanying statements of revenue, expenses and changes in net position.

The New York State Department of Health, which administers the Medicaid program in New York State, has been notified by CMS that federal Inter-Government Transfer payment reimbursement was approved through the New York State's fiscal year ended March 31, 2013 for the Manor. In order to receive these funds, the County was required to provide a 50% local share of the total funds to be received by the Manor. Payment was made to the Manor upon remittance of the sponsor's local Medicaid share to New York State. Estimated IGT revenue for the years ended December 31, 2014 was \$7,274,750 for the 2013 fiscal year payment and an estimated \$5,159,000 for the nine month period ended December 31, 2014. The IGT for 2013 was \$8,287,588. The estimated amount of IGT revenue for which the Manor will receive payment in the future is presented on the Manor's balance sheets as a receivable. IGT receivable at December 31, 2014 and 2013 is \$5,159,000 and \$8,287,588, respectively.

(10) Medical Malpractice Claims

The Manor was insured for medical malpractice claims under an occurrence based insurance policy during the years ended December 31, 2014 and 2013. There have been no claims, threatened or asserted, against the Manor that in the opinion of the Manor's management and legal counsel would be in excess of the policy's limits of coverage. The Manor's management intends to maintain the policy in full force and effect and believes any claims asserted would be within the limits of the Manor's policy.

SARATOGA COUNTY MAPLEWOOD MANOR
(An Enterprise Fund of the County of Saratoga)
Notes to Financial Statements, Continued

(11) Commitments and Contingencies

Commitments and contingencies at December 31, 2014 are as follows:

(a) Regulatory

The healthcare industry is a highly regulated environment that requires compliance with various Federal, State and local laws and regulations, including contractual and participation agreements with third party payors. The Manor is subject to compliance with these and other requirements in the normal course of the Manor's operations. Recent increases in surveillance and enforcement by regulators have resulted in the imposition of fines and penalties to health care providers. Compliance with these laws and regulations is subject to future review, interpretation and actions by government regulatory agencies, the impact of which are unknown and unasserted.

(b) Self Insurance Plans

The Manor participates in a self-insurance plan sponsored by the County for workers' compensation under Local Law No. 1 and 2, 1956, pursuant to Article 5 of the Workers' Compensation Law. The plan is open to any municipality for participation. The County is responsible for the administration of the plan and it reserves and accounts for this plan in a separate special revenue fund, which is included in the County's combined financial statements. Contributions are based on an estimated claim basis with excess contributions transferred to the reserve at the end of the fiscal year. Additionally, the County has commercial insurance for claims in excess of \$1,000,000 (each occurrence). The Manor's workers' compensation expense for the years ended December 31, 2014 and 2013 amounted to \$281,226 and \$282,779, respectively.

The Manor currently uses reimbursement financing rather than paying contributions under the regular experience rating provisions of New York State Unemployment Insurance Law. Under this method, the Manor is liable to New York State for payments of amounts equal to the benefits paid to its claimants. The Manor's unemployment expense for the years ended December 31, 2014 and 2013 amounted to \$51,914 and \$35,819 respectively.

(c) CSEA Collective Bargaining Agreement

The new collective bargaining agreement between the Manor and the CSEA bargaining unit which represents substantially all of the Manor's employees was put in place on January 1, 2013. It is a four year contract expiring on December 31, 2016.

SARATOGA COUNTY MAPLEWOOD MANOR
(An Enterprise Fund of the County of Saratoga)
Notes to Financial Statements, Continued

(12) Sale of Substantially All Assets

The County of Saratoga created Maplewood Manor Local Development Corporation (the Corporation) to facilitate the marketing, sale and transfer of the Manor's assets and licensed operations.

During 2013, the Corporation entered into a purchase and sale agreement with a purchaser for the Maplewood Manor Health Care Center. The terms of the sale call for a purchase price of \$14,100,000, payable with a 15% non-refundable escrow deposit of \$2,115,000 and the balance at the final closing.

The purchaser has deposited \$1,965,000 and \$150,000 as non-refundable payments. The \$1,965,000 is in an escrow account established in January 2014. A bid deposit in the amount of \$150,000 was received by the Corporation from the purchase and was subtracted from the required escrow deposit.

In December 2014, the purchase and sale contract was amended to provide a post-closing payment to the purchaser of \$4,000,000, of which \$2,500,000 would be escrowed to provide for periodic funding for necessary facility expenditures, and \$1,500,000 to the purchaser for extraordinary operational costs associated with the transfer of operations, which has occurred as of February 1, 2015.

On January 30, 2015, the second amendment to the purchase and sale agreement was initiated, which extended the closing date on the transfer of real property no later than December 31, 2018, with the provision that if the closing did not occur prior to December 31, 2015, there would be increases to the acquisition price, ratably monthly of \$320,000 for the year ended December 31, 2016, \$320,000 for the year ended December 31, 2017 and \$480,000 for the year ended December 31, 2018.

Additionally, the parties entered into an interim lease, in which the County of Saratoga will convey the title of facility assets to the Corporation, which will lease the facility assets to the purchaser effective February 1, 2015, with base rent of \$1 per year, through December 31, 2018. The purchaser will be required to pay all expenses incurred in connection with the operation, maintenance, servicing and repairs of the facility.

SARATOGA COUNTY MAPLEWOOD MANOR
 (An Enterprise Fund of the County of Saratoga)
 Required Supplementary Information
 Schedule of Funding Progress - Other Postemployment Benefits
 December 31, 2014

<u>Actuarial valuation date</u>	Actuarial value of assets <u>(a)</u>	Actuarial accrued liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded ratio <u>(a/b)</u>	Covered payroll <u>(c)</u>	UAAL as a percentage covered payroll <u>((b-a/c)</u>
December 31, 2014	\$ -	44,946,326	44,946,326	0.0%	N/A	N/A
December 31, 2013	-	43,232,040	43,232,040	0.0%	N/A	N/A
December 31, 2012	-	72,574,632	72,574,632	0.0%	N/A	N/A

SARATOGA COUNTY MAPLEWOOD MANOR
 (An Enterprise Fund of the County of Saratoga)
 Net Resident Service Revenue and Utilization
 Years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Net resident service revenue:		
Medicaid	\$ 13,236,381	15,053,332
Medicare	1,114,641	967,452
Private pay	2,480,503	2,350,127
Insurance	<u>567,192</u>	<u>317,234</u>
Total net resident service revenue	<u>\$ 17,398,717</u>	<u>18,688,145</u>
Patient days:		
Medicaid	69,107	68,746
Medicare	2,301	2,436
Private pay	7,058	6,482
Insurance	<u>1,501</u>	<u>1,027</u>
Total resident days	<u>79,967</u>	<u>78,691</u>
Total available days	<u>101,105</u>	<u>101,105</u>
Occupancy rate	<u>79.1%</u>	<u>77.8%</u>

SARATOGA COUNTY MAPLEWOOD MANOR
(An Enterprise Fund of the County of Saratoga)
Other Revenue
Years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Other revenue:		
Grant income	\$ 22,412	23,900
Miscellaneous	<u>10,541</u>	<u>49,687</u>
Total other revenue	<u>\$ 32,953</u>	<u>73,587</u>

SARATOGA COUNTY MAPLEWOOD MANOR
 (An Enterprise Fund of the County of Saratoga)
 Professional Care and Administrative and Support
 Year ended December 31, 2014
 with comparative totals for 2013

	Salaries and fringe benefits	Supplies and other expenses	<u>Total</u>	
			<u>2014</u>	<u>2013</u>
Professional care:				
Nursing	\$ 11,691,940	118,266	11,810,206	11,805,980
Physical therapy	335,908	107,823	443,731	408,874
Occupational therapy	195,361	54,437	249,798	249,185
Speech therapy	-	43,774	43,774	23,580
Pharmacy	8,854	190,778	199,632	222,516
Dental	-	54,305	54,305	45,950
Medical director	90,983	-	90,983	90,903
Social services	367,679	-	367,679	395,984
Activities	512,574	2,447	515,021	506,595
Total professional care	<u>\$ 13,203,299</u>	<u>571,830</u>	<u>13,775,129</u>	<u>13,749,567</u>
Administrative and support:				
Administration	364,636	2,695,819	3,060,455	1,799,272
Fiscal	422,356	62,845	485,201	571,699
Nursing	1,060,493	87,096	1,147,589	1,084,093
Dietary	2,463,427	691,379	3,154,806	3,174,229
Housekeeping	1,494,076	81,145	1,575,221	1,590,282
Laundry	286,639	311,812	598,451	597,352
Maintenance	94,367	557,227	651,594	922,049
Grounds	48,783	6,077	54,860	62,976
Security	215,643	400	216,043	256,897
Transportation	79,947	601	80,548	74,377
Central supply	38,024	146,706	184,730	203,287
Total administrative and support	<u>\$ 6,568,391</u>	<u>4,641,107</u>	<u>11,209,498</u>	<u>10,336,513</u>

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Supervisors
Saratoga County Maplewood Manor:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Saratoga County Maplewood Manor (the Manor), as of and for the year ended December 31, 2014, and the related notes to financial statements, and have issued our report thereon dated July 21, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Manor's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Manor's internal control. Accordingly, we do not express an opinion on the effectiveness of the Manor's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Manor's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Saratoga County Maplewood Manor's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Manor's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Manor's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Toski & Co., CPAs, P.C.

Williamsville, New York
July 21, 2015